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WESTERN HEMISPHERE

Argentina: Inflation, Recession

Argentina's military government has checked the country's runaway inflation, but at the expense of deepening the economic recession.

More than 60,000 government employees have been fired as part of the government plan to reduce the budget deficit by 75 percent in 1976. The monthly inflation rate dropped from 38 percent in March to under 3 percent in June, chiefly as a result of restraints on wages and cuts in government spending.

Real wages, which peaked a year ago, are now at their lowest point in over a decade. With 1960 as the base year at 100, real wages last month dropped to 63, compared with 210 for June 1975. Economy Minister Martinez de Hoz has permitted only one 15-percent wage hike since the junta came to power, while prices nearly doubled before inflation was checked.

The government will now try to expand purchasing power cautiously since businessmen are complaining of declining demand. In particular, the regime will attempt to stimulate foreign and domestic investment.

As production begins to revive, the inflation rate is likely to rise again. The junta's first concern will be to see that inflation does not again get out of hand.

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